

COASTAL CONSERVANCY

Staff Recommendation
September 15, 2004

AZEVEDO MARSHES WETLAND ENHANCEMENT

File No. 04-052
Project Manager: Trish Chapman/Carol Arnold

RECOMMENDED ACTION: Authorization to disburse up to \$525,000 to the Elkhorn Slough Foundation for the enhancement of the Azevedo Marshes.

LOCATION: In the Elkhorn Slough area, west of Elkhorn Road and north of Kirby Park, north Monterey County (Exhibit 1: Project Location and Site Map).

PROGRAM CATEGORY: Resource Enhancement

EXHIBITS

Exhibit 1: Project Location and Site Map

Exhibit 2: Agreement and Letter re Port of Santa Cruz Mitigation Funds

Exhibit 3: Excerpts from Azevedo Agricultural and Natural Resource Site
Management Plan

Exhibit 4: Negative Declaration

RESOLUTION AND FINDINGS:

Staff recommends that the State Coastal Conservancy adopt the following resolution pursuant to Sections 31000 *et seq.* of the Public Resources Code:

“The State Coastal Conservancy hereby authorizes the disbursement of an amount not to exceed five hundred twenty-five thousand dollars (\$525,000) to the Elkhorn Slough Foundation for the purpose of restoring and enhancing the Azevedo Marshes, subject to the following conditions:

1. Prior to the disbursement of any Conservancy funds for engineering specifications and drawings, the Elkhorn Slough Foundation shall submit for the approval of the Executive Officer of the Conservancy with respect to engineering plans, a final work program, budget and schedule, and the names of any contractors or subcontractors that it intends to engage.

2. Prior to the disbursement of any Conservancy funds for construction, the Elkhorn Slough Foundation shall submit for the review and approval of the Executive Officer of the Conservancy:
 - a. A work program, budget and schedule, and the names of any contractors to be employed for the construction of the project; and
 - b. Evidence that all permits and approvals necessary to implement the project have been obtained, including evidence that the U.S. Fish and Wildlife Service, California Department of Fish and Game, and the California Coastal Commission have approved the engineering plans for the project.
3. The Elkhorn Slough Foundation shall commit to maintenance and operation of the improvements funded under this authorization.”

Staff further recommends that the Conservancy adopt the following findings:

“Based on the accompanying staff report and attached exhibits, the State Coastal Conservancy hereby finds that:

1. The proposed project is consistent with the purposes and criteria in Chapter 6 of Division 21 of the California Public Resources Code (Sections 31251-31270) regarding the enhancement of coastal resources.
2. The proposed project is consistent with the Project Selection Criteria and Guidelines adopted by the Conservancy on January 24, 2001.
3. The project site has been identified in the North Monterey County Local Coastal Program as an environmentally sensitive area requiring public action to resolve existing or potential resource protection problems.
4. The Conservancy has reviewed the Negative Declaration adopted by Monterey County on September 3, 2003 (attached as Exhibit 4 to the accompanying staff recommendation) and concurs that the project will not have a significant effect on the environment within the meaning of 14 Cal. Code of Regulations Section 15382.
5. The Elkhorn Slough Foundation is a nonprofit organization existing under Section 501(c)(3) of the U.S. Internal Revenue Code, and whose purposes are consistent with Division 21 of the Public Resources Code.”

PROJECT SUMMARY:

This project will result in the restoration and enhancement of the Azevedo Marshes by creating three acres of new tidal wetlands and improving circulation and water quality in the remaining 15 acres. This will be accomplished through the repair or replacement of existing tide gates within the marsh area.

Totaling about 18 acres, the Azevedo Marshes consist of three “pocket” marshes on the east side of Elkhorn Slough. They are part of the 135-acre Azevedo Ranch, the agricultural portion of which is owned by the Monterey County Agricultural and Historical Lands Conservancy (MCAHLC) and leased to agricultural operators. The Nature Conservancy (TNC) owns the natural resource parcel, and has executed an agreement with the Elkhorn Slough Foundation (ESF) to manage it. The Coastal Conservancy helped fund the acquisition of the Ranch in 1991.

The agricultural property is being managed to reduce impacts from agriculture on natural resources areas. Current and future management practices for the Ranch have been outlined in the February 2000 Azevedo Agricultural and Natural Resource Site Management Plan prepared for the Coastal Conservancy, MCAHLC, TNC, and ESF.

The Plan recommends various actions to increase compatibility between the agricultural operation and the natural resource areas, including reduced fertilizer and pesticide application, erosion control, and wetland enhancement. The Ranch now has buffer strips between the strawberry fields and wetlands which are vegetated with native plants and employs other measures to reduce erosion as well as runoff of pesticides and fertilizers.

The wetland enhancement recommendations of the Plan focused on the Azevedo Marshes. Historically, the fully tidal marshes were connected with Elkhorn Slough. Construction of a railway embankment and subsequent ranch activities resulted in greatly reduced tidal flushing and excessive sedimentation within the marshes, all but eliminating the connection with Elkhorn Slough.

Work over the past decade by ESF, TNC and MCAHLC created vegetated buffers around each of the ponds and increased the marsh edge. This project will implement recommendations to further expand tidal wetlands within two of the three pocket marshes by repair or replacement of existing culvert facilities. These new structures will allow greater tidal flushing, improved water quality, enhanced biological diversity, and an enhanced connection between the marshes and the estuarine wetlands of Elkhorn Slough.

Coincidentally, over the past fifteen years the Coastal Conservancy staff has worked with resource agencies and others to identify a project that would mitigate habitat losses that occurred when the Port of Santa Cruz expanded its harbor in the 1970's. The Port was required to create at least three acres of tidal estuarine wetlands and to deposit funds to a special deposit account managed by the Conservancy to be used for this purpose. After an exhaustive search that evaluated many potential sites, the Conservancy, the Port of Santa Cruz and resource agencies selected the Azevedo Marshes as the most feasible and the most likely to succeed in meeting mitigation goals (Exhibit 2: Agreement and Letter).

The ESF has obtained all permits for the project and is ready for the construction phase. The Conservancy has completed numerous projects with the ESF within the Elkhorn Slough ecosystem. Due to its substantial expertise and long dedication to Elkhorn Slough, the ESF is uniquely qualified to undertake projects to protect and enhance this important habitat area.

Site Description: The 18 acres that comprise the Azevedo Marshes lie within the 135 acre Azevedo Ranch, a strawberry farm located within the Elkhorn Slough drainage. Azevedo Ranch is bordered by slough tidelands on the north, Kirby Park on the south, Elkhorn Road on the east and the Union Pacific Railway embankment on the west.

The Elkhorn Slough/Castroville region contains both highly productive agricultural lands and large estuarine and wetland areas. Elkhorn Slough is one of the most ecologically important and largest estuarine systems in California as signified by its designation as a National Estuarine Research Reserve. The Slough ecosystem encompasses an array of wetland types, including salt, brackish, and freshwater marshes, mudflats and subtidal channels. Each of these wetland habitats supports a unique community of vegetation and wildlife.

The Azevedo Marshes parcel contains a series of pocket wetlands surrounded by buffer areas and the strawberry fields of Azevedo Ranch. The three pocket marshes are the North Marsh (10.1 acres), Middle Marsh (4.1 acres) and South Marsh (1.0 acre). The pocket wetlands were originally tidal wetlands contiguous with Elkhorn Slough. In the 1870's, a railroad embankment was constructed between Elkhorn Slough and the Azevedo Marshes, effectively segregating the slough and marsh wetlands. Due to sediment accumulation and insufficient or degraded drain pipes and flap gates, tidal inundation was blocked during most tides, resulting in the pocket marshes serving largely as a depositional area for agricultural run-off. These conditions have degraded the biological productivity and diversity of the Azevedo Marshes.

Project History: Enhancement and restoration of the Azevedo pocket marshes is one of the final phases of the Azevedo Ranch project which began with the acquisition of the property by MCAHLC and TNC in 1991 using Coastal Conservancy funds. The purpose of the acquisition was to develop a working farm and research site to evaluate methods to reduce impacts from agriculture on natural resource areas in a cost effective and practical manner and to enhance wetlands on the property. The natural resources on the Ranch consist of the Azevedo Marshes, a series of pocket marshes that had been degraded through the years due to insufficient tidal flushing, accumulation of agricultural runoff and sedimentation. At the time of acquisition of the Azevedo Ranch by MCAHLC and TNC, it was recognized that the Azevedo Marshes would require enhancement measures to increase tidal flushing and improve water quality.

In 1987, the Conservancy entered into a Memorandum of Understanding with the Port of Santa Cruz to locate a mitigation site on which to create at least three acres of tidal wetlands to mitigate for impacts caused by the expansion of the Santa Cruz Harbor. Through the years, numerous sites were evaluated, none of which resulted in a project. Finally, in 1992, resource agencies agreed to a mitigation project in the Azevedo pocket marshes. The project continued to be delayed due to protracted negotiations with Southern Pacific Railroad and its successor, Union Pacific Railroad, to obtain permission for construction work that would occur within the railway right of way.

Since acquisition of the Azevedo Ranch in 1991, agricultural practices have been modified to protect the Azevedo marshes from detrimental impacts. A boundary between the agricultural operations and wetlands has been established by pulling farmed areas back from the edges of the

pocket marshes and establishing vegetated buffer strips. Agriculture is now limited to the more level terrace areas of the site and the vegetated buffer strips occupy the steep, more erosive areas. Additionally, four sediment basins and other erosion control improvements were installed. Finally, agricultural practices were modified to incorporate low chemical input measures on a portion of the site.

In February 2000, the Azevedo Agricultural and Natural Resource Site Management Plan was completed. The Plan recommends specific actions to increase tidal flushing and improve water quality within the Azevedo Marshes which will be completed following implementation of this project. Relevant excerpts from the plan are provided in Exhibit 3.

PROJECT FINANCING:

Coastal Conservancy:

Port of Santa Cruz Mitigation Fund	\$192,400
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Proposition 50 funds:	\$332,600
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Regional Water Quality Control Board:	<u>\$ 90,000</u>
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Total Project Cost	\$615,000
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The expected sources of funds for this project are the (1) Port of Santa Cruz Mitigation funds administered by the Conservancy for the purpose of mitigating impacts resulting from a Santa Cruz harbor expansion project by the creation of at least three acres of tidal wetlands at the Azevedo Marshes, and (2) the FY 03/04 appropriation to the Conservancy from the Water Security, Clean Drinking Water, Coastal and Beach Protection Act of 2002 (Proposition 50). Proposition 50 specifically authorizes the use of funds for the purpose of protecting coastal watersheds, including, but not limited to, acquisition, protection and restoration of land and water resources (California Water Code, Section 79570). Consistent with the requirements of this section, the Azevedo Marshes project will restore wetland habitat and will improve water quality within the marshes. Additional project funding will be provided by the Regional Water Quality Control Board through a grant to the Elkhorn Slough Foundation.

CONSISTENCY WITH CONSERVANCY'S ENABLING LEGISLATION:

This project would be undertaken pursuant to Chapter 6 of the Conservancy's enabling legislation (California Public Resources Code, Section 31251-31270).

Under California Public Resources Code, Section 31251, the Conservancy may award grants to nonprofit organizations to enhance coastal resources. The project will enhance the natural and scenic character of the Elkhorn Slough area by expanding and restoring wetland habitat adjacent to the slough.

Consistent with Section 31252, the proposed project is consistent with the certified North Monterey County Local Coastal Program as described in the Consistency with Local Coastal Program Policies sections, below.

Consistent with Section 31253, the amount of funding recommended for the proposed project is based on the total amount of funding available for coastal resource enhancement projects, the fiscal resources of the applicant and its project partners, and the urgency of the project relative to other eligible coastal resource enhancement projects.

**CONSISTENCY WITH CONSERVANCY'S
STRATEGIC PLAN GOAL(S) & OBJECTIVE(S):**

Consistent with **Goal 5 Objective A**, the proposed project will result in the restoration of approximately three acres of tidal wetlands and the enhancement of the remaining 15 acres of wetlands adjacent to Elkhorn Slough.

Consistent with **Goal 5 Objective B**, the proposed project will restore a habitat corridor between the Azevedo Marshes and Elkhorn Slough.

Consistent with **Goal 6 Objective B**, the proposed project will improve water quality within the Azevedo Marshes.

Consistent with **Goal 7 Objective B**, the proposed project will help reduce impacts of agricultural operations on wildlife habitat and water quality within Azevedo Marshes.

**CONSISTENCY WITH CONSERVANCY'S
PROJECT SELECTION CRITERIA & GUIDELINES:**

The proposed project is consistent with the Conservancy's Project Selection Criteria and Guidelines adopted January 24, 2001, in the following respects:

Required Criteria

1. **Promotion of the Conservancy's statutory programs and purposes:** See the "Consistency with Conservancy's Enabling Legislation" section above.
2. **Consistency with purposes of the funding source:** See the "Project Financing" section above.
3. **Support of the public:** Projects which protect and enhance the wetlands of the Elkhorn Slough ecosystem, including the Azevedo Marshes have widespread public support, including that of Senator Bruce McPherson and Assemblyman John Laird.
4. **Location:** The proposed project would be located within the coastal zone of Monterey County.
5. **Need:** The Elkhorn Slough Foundation has helped to assemble funds to restore Azevedo Marshes using the Port of Santa Cruz mitigation funds as well as funds from the Regional Water Quality Control Board. Conservancy assistance is needed to close the funding shortfall and enable the project to be completed this year.
6. **Greater-than-local interest:** The Azevedo Marshes are part of the wetland complex of Elkhorn Slough. Elkhorn Slough is a nationally significant wetland resource, designated as a

National Estuarine Research Reserve. The Department of Fish & Game describes the area as one of the most ecologically important estuarine systems in California.

Additional Criteria

7. **Urgency:** The proposed project has already undergone extensive planning and a significant portion of the final design work is completed. The work to repair or replace culvert facilities must move ahead in order to prevent further degradation of the wetlands.
8. **Resolution of more than one issue:** This project will address issues effecting both wetland and agricultural resources. Adjacent strawberry fields have been pulled back from the wetland fringe, creating a buffer area and minimizing potential impacts on the wetlands once the restoration occurs.
9. **Leverage:** See the “Project Financing” section above.
10. **Conflict resolution:** This project is part of the Azevedo Ranch project which was designed to minimize conflicts between natural resource and agricultural issues. The Azevedo Ranch project was undertaken to demonstrate farming practices on strawberry fields that will contribute to the protection and restoration of adjacent habitat areas.
11. **Innovation:** The project implements part of the Azevedo Agricultural and Natural Resource Site Management Plan that demonstrates environmentally sustainable farming practices. This is accomplished through the creation of buffers, lessening of chemical and nutrient inputs, reduction of erosion and restoration of wetlands.
12. **Readiness:** The ESF has obtained all necessary permits for the project and is ready to move ahead.
13. **Realization of prior Conservancy goals:** “See “Project History” above.”
14. **Cooperation:** The project involves a cooperative effort between the Conservancy, The Nature Conservancy, the Elkhorn Slough Foundation, agricultural interests, and resource agencies.

CONSISTENCY WITH LOCAL COASTAL PROGRAM POLICIES:

Section 2.1 of the North Monterey County Local Coastal Program (LCP) describes Elkhorn Slough as the most significant natural feature in the area, and identifies the need for effective management to protect it and other natural resources in the North County. The project will establish an enhanced link between the Azevedo Marshes and Elkhorn Slough.

Section 2.3 defines environmentally sensitive habitats as “areas in which plant or animal life or their habitats are rare or especially valuable because of their special nature or role in an ecosystem and which could be easily disturbed or degraded by human activities and developments.” This section defines North County sloughs as environmentally sensitive habitat and describes alterations to drainage systems, sedimentation and obstacles to water circulation, including tide gates or undersized culverts, as having the potential to severely affect the stability and viability of estuarine habitat. This project will address these problems within the Azevedo Marshes and Elkhorn Slough.

Section 2.3.1 states that environmentally sensitive habitats of North County “shall be protected, maintained, and, where possible, enhanced and restored.” This project will result in the enhancement and restoration of the Azevedo Marshes and will improve the tidal connection between the marshes and Elkhorn Slough.

Section 2.3.4 recommends that a comprehensive wetland management plan be completed for Elkhorn Slough that evaluates the feasibility of restoring degraded, impounded, and former wetland areas. Pursuant to this Section, the County adopted the Elkhorn Slough Wetland Management Plan in 1989. This management plan calls specifically for enhancement of the Azevedo Marshes through reactivating the hydrologic connection with Elkhorn Slough. The proposed project will accomplish this goal.

COMPLIANCE WITH CEQA:

On July 16, 2003, Monterey County prepared and circulated an Initial Study and proposed Negative Declaration (Exhibit 4) for the Azevedo Marshes project. Following the review period, on September 3, 2003, the County adopted the Negative Declaration and filed a Notice of Determination finding that the project will not have a significant effect on environment under the California Environmental Quality Act (CEQA). The Negative Declaration defined the project as the repair of three existing tide gates leading to culverts under Union Pacific Railroad Line located within the Azevedo Marshes.

Staff has reviewed the Initial Study and Negative Declaration and concurs with the County of Monterey that the Azevedo Marshes project would have no significant effect on the environment, as defined in 14 California Code of Regulations Section 15382. Staff will file a CEQA Notice of Determination upon Conservancy approval of the project.